



**California Board of Accountancy**  
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**DEPARTMENT OF CONSUMER AFFAIRS (DCA)  
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)**

**MINUTES OF THE  
 July 20-21, 2017  
 CBA MEETING**

**California Board of Accountancy  
 2450 Venture Oaks Way  
 Suite 420  
 Sacramento, CA 95833  
 Telephone: (916) 263-3680**

Roll Call and Call to Order.

California Board of Accountancy (CBA) President Alicia Berhow called the meeting to order at 9:02 a.m. on Thursday, July 20, 2017 at the California Board of Accountancy. The CBA recessed at 11:45 a.m. to take a lunch break and conduct committee meetings. The CBA reconvened from 3:24 p.m. until 4:10 p.m. to conduct agenda item I.B. The CBA recessed at 4:13 p.m. to conclude the committee meetings. The CBA convened into closed session at 4:33 p.m. until 5:18 p.m. The CBA reconvened into open session on Friday, July 21, 2017 at 9:00 a.m. The meeting convened into closed session at 9:01 a.m. The meeting reconvened into open session at 10:01 a.m. The meeting reconvened into closed session at 11:30 a.m. President Berhow adjourned the meeting at 11:58 a.m.

**CBA Members**

Alicia Berhow, President  
 Michael M. Savoy, CPA, Vice-President  
 Mark Silverman, Esq. Secretary/Treasurer  
 Jose A. Campos, CPA  
 George Famalett, CPA  
 Karriann Farrell Hinds, Esq.  
 Kay Ko  
 Xochitl León  
 Jian Ou-Yang, CPA  
 Sunny Youngsun Park, Esq.  
 Deidre Robinson

**May 18, 2017**

9:02 a.m. to 5:18 p.m.  
 9:02 a.m. to 5:18 p.m.  
 Absent  
 9:06 a.m. to 5:18 p.m.  
 9:02 a.m. to 5:18 p.m.  
 9:02 a.m. to 5:18 p.m.  
 Absent  
 9:02 a.m. to 5:18 p.m.  
 9:02 a.m. to 5:18 p.m.  
 9:02 a.m. to 5:18 p.m.  
 9:06 a.m. to 5:18 p.m.

Katrina L. Salazar, CPA	9:02 a.m. to 5:18 p.m.
Kathleen Wright, CPA	9:02 a.m. to 5:18 p.m.

CBA Members

Alicia Berhow, President	9:00 a.m. to 11:58 a.m.
Michael M. Savoy, CPA, Vice-President	Absent
Mark Silverman, Esq. Secretary/Treasurer	Absent
Jose A. Campos, CPA	9:00 a.m. to 11:58 a.m.
George Famalett, CPA	Absent
Karriann Farrell Hinds, Esq.	9:00 a.m. to 11:58 a.m.
Kay Ko	Absent
Xochitl León	Absent
Jian Ou-Yang, CPA	9:00 a.m. to 11:58 a.m.
Sunny Youngsun Park	9:00 a.m. to 11:58 a.m.
Deidre Robinson	9:00 a.m. to 11:58 a.m.
Katrina L. Salazar, CPA	9:00 a.m. to 11:58 a.m.
Kathleen Wright, CPA	9:00 a.m. to 11:58 a.m.

May 19, 2017

Staff and Legal Counsel

Dean R. Grafilo, Director, DCA  
Patti Bowers, Executive Officer  
Deanne Pearce, Assistant Executive Officer  
Lori Ajax, Chief, Bureau of Medical Cannabis Regulation  
Rich Andres, Information Technology Staff  
Sarah Benedict, Enforcement Analyst  
Pat Billingsley, Regulations Analyst  
Aaron Bone, Information and Planning Officer  
Jonathan Burke, Board and Bureau Relations Manager  
Ileana Butu, Legal Counsel, DCA  
Veronica Daniel, Licensing Manager  
Dominic Franzella, Chief, Enforcement Division  
Cindi Fuller, Licensing Manager  
Jennifer Jackson, Coordinator, Licensing Unit  
Alegra Keith, Executive Secretary  
Dustin Kramer, Licensing Technician  
Christine Lally, Deputy Director, Board & Bureau Relations  
Nooshin Movassaghi, Legislative Analyst  
Allison O'Connor, Enforcement Analyst  
Sarah Rankin, Licensing Analyst  
Rebecca Reed, Board Relations Analyst  
Corey Riordan, Enforcement Manager  
Siek Run, Enforcement Analyst  
Gina Sanchez, Chief, Licensing Division  
Kristy Schieldge, Legal Counsel, DCA  
Ben Simcox, CPA, Deputy Chief, Enforcement Division  
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)  
Tosha Tamantini, Bureau of Medical Cannabis Regulation

Alex Traverso, Chief of Communications, Bureau of Medical Cannabis Regulation  
Janet Zimmer, Coordinator, Licensing Unit

Committee Chairs and Members

Joseph Rosenbaum, CPA, Chair, Enforcement Advisory Committee (EAC)  
Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee (PROC)

Other Participants

Brad J. Sherman, Congressman United States Representative, 30<sup>th</sup> District, California  
John M.W. Moorlach, Senator, 37<sup>th</sup> California Senate District  
Jacob Ashendorf, Communications Director, Senator John M. W. Moorlach  
Matt Borasi, California Society of CPAs (CalCPA)  
Lance Christiansen, Chief of Staff, Senator John M.W. Moorlach  
Eric Dietz, Legislative Director, Senator John M.W. Moorlach  
Loretta Doon, CalCPA  
Jason Fox, CalCPA  
Anne Hawley, Deputy Appointments Secretary, Office of the Governor  
Pilar Oñate-Quintana, The Oñate Group

I. Report of the President.

A. Representative from the Office of Governor Edmund G. Brown, Jr. Introduction and General Remarks.

Ms. Anne Hawley, Deputy Appointments Secretary, from the Office of Governor Edmund G. Brown, Jr., provided the CBA with an introduction of herself and an overview of the Office of the Deputy Secretary. Ms. Hawley thanked the CBA and Ms. Bowers, on behalf of Mona Pasquil, Appointments Secretary, for their service in protecting California consumers.

B. Discussion Regarding Continuing Education for Licensees Serving Full-Time in the California State Legislature and the United States Congress.

Senator Moorlach, representing the 37<sup>th</sup> District of California and Congressman Sherman United States Representative, 30<sup>th</sup> District, California, presented the CBA with a proposal regarding the ability to include attendance at congressional/legislative hearings as qualifying continuing education (CE) for licensees who serve as elected officials.

Ms. Hinds stated that she appreciates Senator Moorlach and Congressman Sherman's proposal to include attendance at congressional/legislative hearings as qualifying CE. She stated that she would prefer elected officials to retain an active license while serving should they plan on practicing accounting after serving is in the best interest of consumer protection purposes.

Senator Moorlach stated that you do not want to make serving as an elected official a disincentive for those who are licensed CPAs. He stated that elected officials spend a great amount of time participating in legislative hearings and meetings and that does not leave much time to complete the require 80 hours of CE that is required to maintain an active CPA license.

Mr. Campos inquired if there are other states that allow for legislative experience as qualifying CE.

Congressman Sherman stated that he does not know of any other state that allows legislative activities as qualifying CE. He stated that if California adopts this proposal, then the AICPA is willing to look at legislative hearings and indicate whether it would be acceptable as qualifying CE.

Ms. Wright stated that it might be helpful if the members could get some background information regarding different activities that are counted as qualifying CE such as teaching and published work. She stated that her perception would be that once members review those types CE then members could better evaluate that type of CE in relation to the Senator Moorlach's proposal.

Mr. Campos stated that this is a very compelling discussion regarding the need to have CPA representation in the Legislature, but once you start with one aspect of allowing these types of activities to be counted as CE, then it opens the floodgates for CPAs to find other ways to receive CE.

Ms. Hinds stated that if members address this issue by looking at how we can fulfill these CE requirements with alternative activities rather than creating new exemptions, then this could create a balance.

Congressman Sherman requested that this proposal be expedited. He stated that legislative hearings meet a higher standard of relevancy than many of seminars that are counted as qualifying CE today.

Senator Moorlach requested that staff review the state bars CE exemption for lawyers that serve as elected officials and other possible exemptions.

Ms. Schieldge stated that the law requires anything regulatory to be done through regulation, at a minimum. For example, the handbook is just a recitation of what is in regulation and if anything needed to be changed in the handbook, you would need to first change the regulation. She stated that changing regulation is a lengthy process that takes minimum of two years. She stated that one of the issues that we need to address when proposing a regulation is how it furthers a state policy and the policy that the CBA furthers is protection of the public. She stated that the first question that would need to be answered is how this is necessary to protect the public. She stated that boards composed of licensed members, the liability is that if you take an action that

displaces or is perceived as displacing competition, then you could potentially have liability exposure. She stated that the exposure to allow credit for select members of a licensing population could be considered anti-competitive because it would be burdensome to the rest of the licensing population.

Ms. Schieldge stated that the other option would be a legislative proposal. She stated that a legislative proposal would not subject the CBA to any kind of anti-trust liability. She stated that lawyers that work in the public sector have that exemption because of statute. She stated that if the CBA was interested in this type of legislation, the CBA would have to look at what public benefit would be.

Congressman Sherman stated that he is not asking for a change in regulations, he just asking staff to evaluate legislative/congressional hearings to see if they can be counted as qualifying CE.

C. Presentation From the Department of Consumer Affairs Regarding Departmental Activities.

Mr. Grafilo, DCA Director, provided the CBA with an introduction of himself and spoke about his dedication to consumer protection.

D. Presentation on California Cannabis Laws and Recent Rulemaking and Activities.

Ms. Lori Ajax, Chief of the Bureau of Medical Cannabis Regulation (BMCR), provided a presentation on California cannabis laws and the implementation of the licensing of individuals and businesses for the sale of cannabis.

Ms. Wright inquired on what would be involved in obtaining a license to sell recreational cannabis.

Ms. Ajax stated that one would need to complete an on-line application. She stated that the BMCR will need to make sure that the licensee is in compliance with all local regulations and ordinances before a license is issued. She stated that if a jurisdiction has banned the sell of cannabis, then the BMCR would not be able to issue a license in that area.

Ms. Wright inquired if an examination would be required to obtain a license or if it just entails completing an application and paying a fee.

Ms. Ajax stated that along with licensing an individual, the BMCR is also licensing the premise of cannabis. She stated that licensees would need to make sure that they are in compliance with the activities they are conducting which include retail stores.

Ms. Hinds inquired on regulatory activities that would require a license.

Ms. Ajax stated that anybody doing commercial cannabis activity would require a license. She stated that under Proposition 215, an individual can still grow up to six cannabis plants for his/her own personal use and acting in a capacity as caregivers without requiring a license. She stated that anybody that is interested in growing, manufacturing, distributing, or selling cannabis in California would need a license.

Ms. Hinds inquired if the BMCR has been working with the state's Attorney General's Office (AG's Office) to discuss the legal ramifications that may come up regarding federal laws concerning cannabis.

Ms. Ajax stated that the BMCR has had a lot of dialog with the AG's Office, especially as the bureau develops regulations because the bureau wants to make sure the AG's Office weighs in on what the bureau is requiring from its licensees.

Ms. Wright inquired if there will be any type of audit process.

Ms. Ajax stated that there has been discussion regarding this and stated that one requirement will be that licensees will need to report any inventory discrepancy to make sure that licensees are not diverting any cannabis. She stated that enforcement staff will be going out on a regular basis to inspect premises and will be looking at all of the licensees procedures that are in place for inventory reconciliation.

Ms. Wright inquired on the meaning of track and trace.

Ms. Ajax stated that track and trace means the BMCR will track the cannabis product from seed all the way to retail sale. She stated that each plant is going to have a RF ID Tag on it and as it goes through the entire process.

Ms. Wright inquired if there will be reciprocity with other states regarding the sale or distribution of cannabis.

Ms. Ajax stated that there will be no reciprocity with other states. She stated that any cannabis product cannot be exported out of the state.

Ms. Robinson inquired if California or other states are lobbying at the federal level to loosen federal regulations as it pertains to the cannabis industry.

Ms. Ajax stated that states have legalized the use of cannabis are starting to form a coalition to start working with the federal government on the legalization of cannabis.

E. Discussion Regarding Providing Comments to the American Institute of Certified Public Accountants' and National Association of State Boards of Accountancy Proposed Changes in Section 14 of the Seventh Edition of the

## Uniform Accountancy Act Regarding the Use of Management Accounting Titles by Non-CPAs.

Ms. Pearce stated that the purpose of this item is to discuss whether the CBA would like to provide a comment letter to AICPA and NASBA regarding proposed changes in Section 14 of the Seventh Edition of the Uniform Accountancy Act (UAA), regarding the use of management accounting titles by Non-CPAs.

Ms. Pearce stated that the UAA is an evergreen model licensing law developed to provide a uniform approach to the regulation of the accounting profession, and the UAA is subject to final approval by the AICPA and NASBA Boards of Directors. She stated that although many CBA laws and rules mirror the UAA, the CBA maintains independence in the establishment of its own rules and regulations.

Ms. Pearce stated that in April, the AICPA and NASBA approved for comment to state boards, state CPA societies and others, proposed changes to the UAA that would allow qualified non-CPAs to assume or use management accounting designations with certain caveats and restrictions. She stated that an example of a management accounting designation is the AICPA's Chartered Global Management Accountant (CGMA), which was established in 2012. She stated that when this designation was established, an individual seeking this designation was required to be a CPA, pass the CGMA examination, have three years of management accounting experience, and be a member of AICPA. In 2015, the AIPCA Council opened up the CGMA designation to certain other qualified non-CPAs. She stated that the Chartered Institute of Management Accountants (CIMA) also has a pathway to obtain the CGMA designation for non-CPAs, which includes completion of specified examinations, obtain a CIMA certificate in Business accounting, three years of management accounting experience, and be a CIMA member.

Ms. Pearce stated that the proposed changes in the UAA would allow the use of accounting designations that include the word management if conferred by an organization such as AICPA and individuals with this designation may be authorized to perform audit, attest, and compilation or tax services under the supervision of a licensed CPA. She stated that staff have identified statutes and regulations that prohibit the use of management accounting designations by a non-licensee that is likely to be confused with the certified public accountant or public accountant designations. She stated that a caveat to this is the Supreme Court decision in *Bonnie Moore v. California Board of Accountancy*, which held that the terms could not be prohibited if accompanied by an explanatory disclaimer, such as wording that the individual is not licensed by the CBA or that the services do not require licensure by the CBA.

Ms. Pearce stated that although individuals with a management accounting designation could perform specified audit, attest, and compilation services

under the supervision of a licensed CPA, this could still be confusing to consumers due to the similarities in the designation of CGMA and CPA, as to when one would be required to only perform those services under supervision. She stated that there also may be conflicts with the current practice privilege provisions, which require certain services for entities headquartered in California to only be performed through an accounting firm registered by the CBA and completed by a licensed CPA. She stated that as the CBA deliberates this topic, it may wish to consider that the use of management accounting designations may be confusing to consumers as they try to determine what services an individual can provide and whether the services must be performed under the supervision of a licensed CPA or accounting firm. Also, unlike the qualifications for a CPA, the CBA has no control over the qualifications for the management accounting designation.

Ms. Pearce stated that should the AICPA and NASBA Boards of Directors approve the proposed changes for inclusion in the UAA, the CBA may wish to consider whether it needs to amend its statutes or regulations and also discuss possible outreach to ensure consumers understand the distinctions between a CPA and a non-CPA with a management accounting designation.

Ms. Pearce stated that staff recommended that the CBA direct staff to prepare a letter regarding its concerns with the UAA proposed changes and reference the potential impact to consumers, possible conflicts with its present practice privilege provisions, and that the CBA does not maintain an active role in the requirements to obtain a management accounting designation. She stated that a comment letter is due September 30, 2017.

President Berhow inquired if chartered accountants were regulated by the CBA.

Ms. Pearce stated that if a chartered accountant was a non-CPA, then he/she would not be regulated by the CBA. She stated that some chartered accountants are also CPAs.

Ms. Schieldge stated that under current law, if somebody uses any designation that has the word "accountant" in the title, he/she has to be a licensed CPA, otherwise he/she is potentially in violation of the Accountancy Act. She stated that the difference between the Bonnie Moore case dealing with the bookkeeping exemption and this is the activity Ms. Moore was engaging in was not illegal. She stated that under current law, this proposal would be illegal, because the person performing an audit or compilation under the current regulations would have to have a CPA license. She stated that even disclaiming that he/she is not licensed by the CBA would not help in terms of the misleading aspect because consumers would think an individual does not need a license when in fact he/she does. She stated that the Bonnie Moore case would not help the CBA in respect to the disclaimer issue because it does not deal with the situation where someone was actually performing work that was illegal for them to do without a license. She stated that the UAA proposal



would require fundamental change to the scope of what a CPA license covers and you would need to make substantive amendments to section 5051 of the Accountancy Act, make changes to the title protections in the statutes, and you would need to potentially do regulations like the safe harbor regulation to make it clear to a consumer that they are not a CPA.

Mr. Campos stated that when he listened to the AICPA and NASBA's discussion regarding the management designations, they make it clear that there are services that they would not do that a CPA would need to do. He stated that he agrees that a disclaimer would not help if an individual is trying to do a service that is a service that a CPA would need to do.

Ms. Schieldge stated that the proposed amendment to the UAA is different from what the current Accountancy Act contains. She stated that the proposed UAA language states that an individual may use an accounting designation that includes the word "management" conferred by a bona fide nationally recognized accounting organization such as the AICPA, the CIMA, or the Institute of Management Accountants, provided the designation does not purport to confer the right to perform audit, attest, or compilation services and an individual using an accounting designation who does not also obtain a license or practice privilege shall not offer or render audit, attest, or compilation for the public, except under the supervision of a licensee operating within a CPA firm and holds a permit issued in the state. She stated that this is different from the current law which states you cannot prepare an audit unless you are a CPA. She stated that you cannot prepare an audit if you are not a CPA in California, even if you are under the supervision of a licensed CPA.

Mr. Campos suggested that the CBA receive clarification from the AICPA and NASBA as to what the provision means and suggest in a comment letter that be clarified and also make a point that it would not be acceptable for an individual that is supervised in this fashion to be the signing individual in an audit report.

Mr. Campos inquired if the CBA has any reason to believe the existing regulations regarding accountant or auditor needs to be changed.

Ms. Salazar stated that there has been a history of other organizations trying to create certifications and the language in the UAA and the CBA's own regulations have kept out those confusing designations and have tried to keep the definition of a CPA clear to consumers. She stated that this opens the ability for organizations to begin to challenge and create multiple designations which would be detrimental to consumers.

Mr. Campos stated that the UAA proposal is in conflict with the CBA regulations because of the use of the word "accountant" in it and if we are not proposing to change our regulations then the comment letter would need to state that the CBA regulations conflict with the UAA proposal and inquire if they have

considered using different terminology like the word “professional” instead of “accountant”.

President Berhow inquired if there are any other states that are dealing with this issue.

Mr. Franzella stated that this is a national topic and it has been brought up at numerous NASBA meetings, but he is not specifically aware of any other states dealing with this issue. He stated that this is the first step in bringing this issue to the forefront and giving language to the state to evaluate this issue.

**F. Discussion Regarding a Possible Change to the California Board of Accountancy’s January 2018 Meeting Date.**

Ms. Reed provided members with a proposed change to the January 2018 CBA meeting calendar, changing the date of the January 25-26, 2018 CBA meeting to January 18-19, 2018. She stated that due to the fact that the January 25-26, 2018 CBA meeting date coincides with a major event in the Sacramento area, staff were unable to secure a lodging room block within the state rate of \$95 per night. She stated that to retain the CBA meeting in Sacramento, and secure lodging rooms at the state rate, the CBA may wish to move the meeting date.

**It was moved by Mr. Campos and seconded by Mr. Savoy to change the January 25-26, 2018 CBA meeting date to January 18-19, 2018.**

**Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Ms. León, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Ko and Mr. Silverman.**

**G. Developments Since the February 2015 United States Supreme Court Decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission.**

Ms. Schieldge stated that the acting Federal Trade Commissioner will be creating an Economic Liberty Task Force and will meet on July 27, 2017 to investigate whether states are actively supervising board actions that displace competition. She stated that one of the topics that will be addressed are the approaches across the states for making it easier for workers in state licensed occupations to offer their services across state lines. She stated that she will be tracking the task force to see if any other recommendations or topics of

interest come out of the committee because it could result in either enforcement actions or possible legislation at the federal level.

## II. Report of the Vice-President.

### A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee.

#### 1. Recommendation for Reappointment of Jeffrey De Lyser, CPA.

**It was moved by Ms. Campos and seconded by Ms. Hinds to reappoint Jeffrey De Lyser, CPA to the Enforcement Advisory Committee (EAC) effective August 1, 2017 through July 31, 2019.**

**Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Ms. León, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Ko and Mr. Silverman.**

### B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee.

There was no report on this item.

### C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

There was no report on this item.

## III. Report of the Secretary/Treasurer.

### A. Discussion of the Governor's Budget.

Mr. Savoy reported that the fiscal year 2017/18 budget was signed on June 27, 2017. He stated that the total budget for the CBA was set at \$13,436,000. He stated that the final repayment of loans plus interest of approximately \$2.6 million was posted to the Accountancy Fund in June.

## IV. Report of the Executive Officer.

### A. Update on Staffing.

There was no report on this item.

B. Update on the California Board of Accountancy's Communications and Outreach.

Mr. Bone reported that in June, Ms. Salazar, and staff attended the California Financial Literacy Fair, which was held at the State Capitol.

He stated that preparations are underway for outreach activities to be held on the campus of California State University, Fullerton during the September CBA meeting. He stated that staff plan to invite students to attend the CBA meeting on Thursday, September 14 where we will discuss the requirements for licensure and provide students an opportunity to learn from, and network with the board.

V. Report on the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee.

A. Enforcement Advisory Committee.

1. Report of the July 6, 2017, Enforcement Advisory Committee Meeting Activities.

Mr. Rosenbaum stated that the Enforcement Advisory Committee members reviewed 14 closed cases. He stated that in addition to reviewing the 14 closed cases, members also reviewed 15 open cases in an effort to help guide staff with the cases before they went to an investigative hearing.

Mr. Rosenbaum stated that they conducted one investigated hearing.

Mr. Campos inquired if the committee will continue to review open cases at its meetings.

Mr. Rosenbaum noted that the committee will continue to review open cases.

B. Qualifications Committee.

There was no report on this item.

C. Peer Review Oversight Committee.

There was no report on this item.

VI. Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Franzella provided an overview of this item.

Mr. Campos requested that the number of probationers that come off of probation show on future reports. Mr. Franzella stated that it will be included in future reports.

Mr. Campos inquired on how aging works for the discipline and investigative portions of the Enforcement Activity Report.

Mr. Franzella stated that aging for the investigation portion of the report starts from the date an investigation is opened until it is closed or referred to the Attorney General's desk. If it is moved to the Attorney General's desk, then it comes off of the investigations list and is placed on the discipline list. He stated that the aging on the discipline begins at the date of referral.

## VII. Report of the Licensing Chief.

### A. Licensing Activity Report.

Ms. Sanchez provided an overview of this item.

Ms. Sanchez stated that CBA's annual oversight of the administration of the CPA Exam at Prometric testing centers is underway. She stated that she would like to thank those that volunteered this year. They will be receiving their volunteer packets this month.

Ms Wright inquired if there was a way for the CBA to determine from the statistics what the pass rate is on the CPA Exam.

Ms. Sanchez stated that the pass rates are given to the CBA by NASBA and staff can include the exam pass rates in the September report.

Ms. Wright inquired is the pass rate of other states is received.

Ms. Sanchez stated that an annual report is received and the report includes the pass rates for all states.

Ms. León inquired on why the number of first-time sitters for the CPA Exam has decreased.

Ms. Sanchez stated that she cannot speak to why the number of first time sitters has decreased, but she does expect an increase in May and June due to graduation.

Mr. Ou-Yang inquired regarding if there is a lag time between the first-time applications received and first time applications approved.

Ms. Sanchez stated that it was due to carryover that did not get approved from the previous years so the applications approved number is always a little higher than the applications received number.

Ms. Wright inquired if staff have received any feedback regarding the 150 hour requirement and if this might be an explanation for the decrease in first time sitters for the CPA Exam.

Ms. Sanchez stated that the only impact during that time was an increase in the amount of initial license applications due to everybody trying to submit their application before the 150 hour requirement took effect.

Ms. Pearce stated that the requirements for the CPA Exam did not change; they stayed the same at the baccalaureate degree in 2014.

Ms. León stated that the reason she mentioned this is because the student population is increasing and the fact that the first-time sitter rate for the exam is decreasing makes her wonder if something is going on with the testing. She stated that because the student population is growing, we should also see an increase in the exam applicants.

Mr. Campos inquired if there is any further insight into backlog issues we may be experiencing in the licensing area because both the first time exam application processing and the licensure application processing timeframes are slightly above the 30 day timeframe.

Ms. Sanchez stated that she will research and include that information in her next report.

VIII. Tour of the California Board of Accountancy Office.

IX. Acceptance of the Minutes.

- A. Minutes of the May 18-19, 2017, California Board of Accountancy Meeting.
- B. Minutes of the May 18, 2017, Legislative Committee Meeting.
- C. Minutes of the May 18, 2017, Mobility Stakeholder Group Meeting.
- D. Minutes of the May 18, 2017, Committee on Professional Conduct Meeting.
- E. Minutes of the May 4, 2017, Enforcement Advisory Committee Meeting.

**It was moved by Ms. Robinson and seconded by Mr. Savoy to approve agenda items IX. A. – IX.E.**

**Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Ms. León, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Ms. Wright.**

**No: None.**

**Abstain: Mr. Ou-Yang.**

**Absent: Ms. Ko and Mr. Silverman.**

**X. Other Business.**

**A. American Institute of Certified Public Accountants.**

1. Report on Meetings of the American Institute of Certified Public Accountants Attended by a California Board of Accountancy Representative.

There was no report on this item.

**B. National Association of State Boards of Accountancy.**

1. Report on Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Representative.

There was no report on this item.

2. Report on Committee Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Member.

- a. Enforcement Resources Committee.

There was no report on this item.

- b. Computer-Based Testing Administration Committee.

There was no report on this item.

- c. Continuing Professional Education Committee.

There was no report on this item.

**XI. Resolutions for Retired California Board of Accountancy, Enforcement Advisory Committee, and Peer Review Oversight Committee Members.**

**A. Resolution for Retired California Board of Accountancy Member Larry Kaplan.**

**It was moved by Ms. León and seconded by Ms. Wright to approve the resolution for Mr. Kaplan.**

**Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Ms. León, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Ko and Mr. Silverman.**

- B. Resolution for Retiring Enforcement Advisory Committee Member Gary Caine, CPA.**

**It was moved by Ms. Hinds and seconded by Mr. Campos to approve the resolution for Mr. Caine.**

**Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Ms. León, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Ko and Mr. Silverman.**

- C. Resolution for Retiring Enforcement Advisory Committee Member Michael Schwarz, CPA.**

**It was moved by Ms. Salazar and seconded by Ms. Wright to approve the resolution for Mr. Schwartz.**

**Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Ms. León, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Ko and Mr. Silverman.**

- D. Resolution for Retiring Peer Review Oversight Committee Member Nancy Corrigan, CPA.**



**It was moved by Ms. Robinson and seconded by Ms. Salazar to approve the resolution for Ms. Corrigan.**

**Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Ms. León, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Ko and Mr. Silverman.**

- E. E. Resolution for Retiring Peer Review Oversight Committee Member Sherry McCoy, CPA.

**It was moved by Ms. Hinds and seconded by Ms. Salazar to approve the resolution for Ms. McCoy.**

**Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Ms. Hinds, Ms. León, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Ko and Mr. Silverman.**

**XII. Closed Session.**

- A. Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, and Proposed Decisions).
- B. Pursuant to Government Code Section 11126(e), the California Board of Accountancy Will Meet in Closed Session to Receive Advice From Legal Counsel on Litigation (David Greenberg v. California Board of Accountancy, Los Angeles County Superior Court, Case No. BS155045).

**XIII. Committee Reports.**

- A. Mobility Stakeholder Group.

1. Report of the July 20, 2017, Mobility Stakeholder Group Meeting.
2. Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives.

This was a written report only.

3. Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21.

This was a written report only.

4. Discussion and Possible Action Regarding the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c).

Mr. Campos reported that NASBA's findings related to Business and Professions Code (BPC) section 5096.21(c) would be used by the CBA to determine whether allowing licensees of certain states to continue practicing under a no-notice, no-fee practice privilege fulfills the responsibility of the CBA to protect consumers.

Mr. Campos stated that Puerto Rico became substantially equivalent with the disciplinary flag, and now all 55 jurisdictions are substantially equivalent.

**The MSG recommended that the CBA determine Alabama, Northern Mariana Islands, Maryland, New Hampshire, Puerto Rico, South Carolina, South Dakota, Tennessee, Virgin Islands, and Virginia to be deemed substantially equivalent to NASBA's Guiding Principles of Enforcement.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Hinds, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: Mr. Famalett, Ms. Ko, Ms. León, Mr. Savoy, and Mr. Silverman.**

5. Discussion and Possible Action Regarding the 2017 Mobility Stakeholder Group Final Report.

Mr. Campos reported that the final Mobility Stakeholder Group (MSG) report contains data and details that span the entire length of the of the MSG's activities since its formation in 2014.

6. Discussion and Possible Action Regarding the California Board of Accountancy's Draft Report to the Legislature Pursuant to Business and Professions Code Section 5096.21(f).

Mr. Campos reported that BPC section 5096.21(f) requires the CBA to submit a report to the Legislature by January 1, 2018, that explains at a minimum, the following:

- How the Board implemented the program and whether implementation is complete;
- Whether the current program, in the opinion of the board, offers more, less, or equivalent protection to the public than the previous program; and
- Describes how other state boards of accountancy have addressed referrals to those boards from the CBA, including the timeframe in which those referrals were addressed, and the outcome of investigations conducted by those state boards.

Mr. Campos stated that the draft report was comprised of six main sections. He stated that staff will continue to work with DCA on the final layout and look for the report and staff will continue to evaluate the appropriate statistical information for inclusion and placement in the report.

Mr. Campos stated that staff reported on eight areas that the CBA opinioned on whether the mobility program is more, less, or equivalent in public protection to the prior practice privilege provisions. He stated that the MSG directed staff to provide a revised version of the report at the September MSG meeting, highlighting the changes made.

7. Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAVerify.

Mr. Campos reported that at this time there are 51 jurisdictions participating in ALD and CPA verify. He stated that Delaware, Hawaii, Utah, and Wisconsin are not yet participating in ALD and CPAVerify and it is anticipated Wisconsin will participate in the ALD by the end of the year.

8. Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting.

Mr. Campos stated that the topics for the next MSG meeting would include review and possible recommendation that the CBA approve the report to the Legislature, and the role and responsibilities of the MSG following completion of the CBA report to the Legislature.

B. Legislative Committee.

1. Report of the July 20, 2017, Legislative Committee Meeting.

2. California Board of Accountancy 2017 Legislative Tracking Chart.
3. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position.

- a. Assembly Bill 703 – Professions and Vocations: Licenses: Fee Waivers.

Ms. Hinds reported that AB 703 would require every board within DCA to grant a fee waiver for application and issuance of an initial license for an applicant who is married to, or in a domestic partnership or other legal union with, an active duty member of the Armed Forces of the United States, if the applicant holds a current license in the same profession in another state, district, or territory. She stated that this bill failed to pass out of its house of origin by the legislative deadline and is therefore now a two-year bill. Staff suggested that the LC maintain its Support Position.

- b. Assembly Bill 710 – Department of Consumer Affairs: Boards: Meetings.

Ms. Hinds reported that AB 710 would require every board within the DCA to meet once every other calendar year in rural California. She stated that this is a two-year bill and staff suggested that the LC maintain its Watch position.

- c. Assembly Bill 767 – Master Business License Act.

Ms. Hinds reported that AB 767 was amended to authorize GO-Biz, and a state agency determined by GO-Biz to have a license which is appropriate for inclusion in the bill's proposed master business license system, to borrow money from the General Fund to support the reasonable costs of integrating into the system. She stated that this is a two-year bill and staff suggested that the LC maintain its Watch Position.

- d. Assembly Bill 912 – Small Business: California Small Business Regulatory Fairness Act.

Ms. Hinds reported that AB 912 would require most state agencies to help a small business comply with all statutes and regulations administered by the state agency and in any enforcement action by the state agency. She stated that the bill would require state agencies to create a policy, as specified, that provides for the reduction, and under certain circumstances waiver, of civil penalties for a small business. She stated that this is a two-year bill and staff suggested the LC maintain its Watch Position. She also suggested that staff should include relevant Enforcement data in future CBA legislative position letters.

- e. Assembly Bill 1005 – Professions and Vocations: Fines: Relief.

Ms. Hinds reported that AB 1005 would require DCA's non-healing arts boards and bureaus to issue a fix-it ticket, with a 30-day cure period, before an administrative fine becomes effective for violation of the applicable licensing act or regulation. She stated that if the licensee abates the violation within the 30-day period, the licensee would not be responsible for payment of the administrative fine. She stated that this is a two-year bill and staff suggested the LC maintain its Support if Amended Position.

- f. Assembly Bill 1190 – Department of Consumer Affairs: BreEZe System: Annual Report.

Ms. Hinds reported that AB 1190 would require the Department of Consumer Affairs to publish a quarterly update on its website regarding the progress of implementing the third phase of the BreEZe system. She stated that the CBA took a Support position during its March meeting and at that time, AB 1190 required DCA to submit an annual report to the Legislature regarding the implementation of the third phase of the BreEZe project. She stated that since then, the bill was amended to require DCA to publish on its website certain estimated timeframes, status updates, and results and recommendations related to the BreEZe project. She stated that staff were recently contacted by the author's office to ask if the CBA still had a Support position given the recent amendments.

**The LC recommended that the CBA send an updated Support letter on AB 1190 as amended on June 13, 2017.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Hinds, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: Mr. Famalett, Ms. Ko, Ms. León, Mr. Savoy, and Mr. Silverman.**

- g. Senate Bill 27 – Professions and Vocations: Licenses: Military Service.

Ms. Hinds reported that SB 27 would require every board within DCA to grant a fee waiver for the application and issuance of an initial license to an applicant who is an honorably discharged veteran. She stated that this bill does not apply to examination application or renewal fees. She

stated that recent amendments did not make any substantive changes to the bill, only added coauthors to the bill. She stated that SB 27 is a two-year bill and staff suggested the LC maintain its Support Position.

- h. Senate Bill 247 – Professions and Vocations: License Requirement: Business: Surety Bond Requirement.

Ms. Hinds reported that SB 247 would repeal the requirements for an individual to obtain a license to perform the following activities: fitting or selling hearing aids, locksmiths, barbering or the application of makeup, disposing of cremated human remains, and performing custom upholstery services. She stated that the bill also modifies the regulation of certain landscapers and tree service contractors to require a license to work on projects valued at \$25,000 or more. The bill also repeals the requirement that a licensed private investigator maintain a physical office in California and that auctioneers and auction companies maintain a bond issued by surety company. She stated that this is a two-year bill and staff suggested that the LC maintain its Oppose Position on SB 247.

- i. Senate Bill 547 – Professions and Vocations: Weights and Measures.

Ms. Hinds reported that SB 547 is one of two omnibus bills that contain language at the request of the CBA and would do the following: First, amend Business and Professions Code sections 5063.3(a)(4) to clarify that during a sale or merger of a practice, a licensee may only disclose client information to the successor licensee or person if the parties enter into a written nondisclosure agreement. Second, amend Business and Professions Code section 5096.9 to allow the CBA to initiate a Section 100 rulemaking to quickly extend or remove the inoperative dates of the CBA's practice privilege regulations. She stated that staff suggested that the LC maintain its Support Position on SB 547.

- j. Senate Bill 715 – Department of Consumer Affairs: Regulatory Boards: Removal of Board Members.

Ms. Hinds reported that SB 715 would grant the Governor power to remove any member of a DCA board appointed by the Governor within the Department of Consumer Affairs for continued neglect of duties, an example of which is the failure to attend board meetings. She stated that staff suggested that the LC maintain its Support Position on SB 715.

- k. Senate Bill 795 – Accountancy: Practice Privileges.

Ms. Hinds reported that SB 795 would remove the January 1, 2019 repeal date of the CBA's practice privilege statute, thereby making the CBA's no-notice, no-fee, practice privilege program permanent. She

stated that the sponsors of the bill and staff from the Senate Business, Professions, and Economic Development Committee indicated that this bill would be a two-year bill to allow time for the CBA to issue its report to the Legislature on its practice privilege program, which is due January 1, 2018. Staff will remain in contact with the sponsors of SB 795 as it progresses during the 2018 legislative year. She stated that staff recommended the CBA maintain its Watch position on SB 795.

I. Senate Bill 800 – Professions and Vocations.

Ms. Hinds reported that SB 800, is the second omnibus bill that contains language at the request of the CBA and would do the following: Amend Business and Professions Code sections 5094(d) regarding credential evaluation services requirements. Specifically, it would correct a minor inaccuracy in the name of one organization by changing one word from singular to plural, and updating the name of another member organization to reflect its current name. She stated that staff suggested that the LC maintain its Support Position on SB 800.

4. Consideration of Positions on Legislation.

a. Senate Bill 244 – Privacy: Agencies: Personal Information.

Ms. Hinds reported that SB 244 exempts from disclosure under the California Public Records Act records containing "sensitive personal information,"; requires state agencies under the Information Practices Act to collect and use "personal information" only for the purpose of administering their respective public services and programs; and exempts from the PRA records containing personal information of participants in numerous public service and benefit programs. She stated that at the June 2017 monthly DCA Legislative Roundtable, CBA staff was informed by DCA Executive staff, that this bill would not have a significant impact on the current PRA request process, or the CBA's daily business operations. She stated that legal counsel voiced concerns over the bill's effect on the Information Practice Act.

**The LC recommended that the CBA direct staff to clarify any concerns surrounding the Information Practice Act at the next DCA Legislative Roundtable and to report back at the September LC meeting.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Hinds, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: Mr. Famalett, Ms. Ko, Ms. León, Mr. Savoy, and Mr. Silverman.**

5. Update on Legislation the California Board of Accountancy is Monitoring (Assembly Bill 12, Assembly Bill 492, Assembly Bill 826, Assembly Bill 827, Assembly Bill 835, Assembly Bill 876, and Assembly Bill 1053).

This was a written report only.

6. Legislative Items for Future Meeting. The California Board of Accountancy may discuss other items of legislation in sufficient detail to determine whether such items should be on a future California Board of Accountancy meeting agenda and/or whether to hold a special meeting of the California Board of Accountancy to discuss such items pursuant to Government Code section 11125.4.

There is no new legislation.

C. Committee on Professional Conduct.

1. Report of the July 20, 2017, Committee on Professional Conduct Meeting.
2. Discussion on Evaluating the Need to Require Tax Specific Continuing Education for Certified Public Accountants Who Perform Tax Services.

Mr. Campos reported the purpose of this agenda item was to provide the CBA the opportunity to discuss and evaluate the need for continuing education, or CE, requirements related to providing tax services.

He stated that presently, the CBA requires licensees offering accounting and auditing (A&A), services to complete specified CE in the areas of governmental auditing or A&A, and fraud. He stated that periodically, the CBA evaluates CE requirements for licensees and has instituted new requirements such as: increased exposure to ethics education, dedicated regulatory review, and yearly minimum CE requirements. He stated that to renew in an active status, licensees must complete 80 hours of CE in specific subject areas. He stated that licensees also have to meet a 50/50 requirement, which is designed to maintain or enhance the technical skills and knowledge of a licensee by requiring a licensee renewing in an active status to complete a minimum of 40 hours of CE, or 50 percent of the required CE, in technical subject areas.

He stated that due to a broad range of subject matter and to the specialized nature of taxation, the CBA addresses taxation as a technical subject area within the 50/50 requirement.



He stated that staff researched 49 state boards of accountancy to determine if any required specified CE in the area of taxation. Only two states, Delaware and Ohio, require prescribed CE solely in taxation.

3. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 12.5 – Attest Experience and Experience Forms (11A-6 and 11A-6A) Under Business and Professions Code Section 5095.

Mr. Campos reported that this item was to clarify the attest experience reporting requirements for signers of the Certificate of Attest Experience, or CAE, forms for those who report attest experience as it relates to applications for CPA licensure. He stated that the Qualifications Committee (QC) reviewed the CAE forms at its April 26, 2017 meeting. During the discussion, it identified Sections V. and VI. on the CAE forms as areas that could benefit from clarifying language to ensure proper reporting in those sections.

The Qualifications Committee suggested that to better align with the CBA's definition of attest services and attest reports, Section V. should include clarifying language that specifically excludes preparation engagements from qualifying attest experience. He stated that the QC indicated that to maintain consistency within the CAE forms, the area of Section VI. that summarizes the hours corresponding with Section V. should also include additional clarifying language.

Mr. Campos stated that legal counsel suggested the CAE forms be consistent with current law and allow use of an Individual Taxpayer Identification Number (ITN) on the CAE forms.

**The CPC recommended the following motion to the CBA:**

- **Approve the proposed regulatory text in CBA Regulations section 12.5, including the changes to the CAE forms, with the addition of the Individual Taxpayer Identification on the CAE form which are incorporated by reference,**
- **Direct staff to submit the text to the Director of the Department of Consumer Affairs and the Business, Consumer Services, and Housing Agency for review.**
- **If no adverse comments are received, authorize the Executive Officer to take all steps necessary to initiate the rulemaking process, make any non-substantive changes to the package, and set the matter for hearing.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Hinds, Mr. Ou-Yang, Ms. Park, Ms. Robinson, Ms. Salazar, and Ms. Wright.**

**No: None.**

**Abstain: None.**

**Absent: Mr. Famalett, Ms. Ko, Ms. León, Mr. Savoy, and Mr. Silverman.**

XIV. Closing Business.

A. Public Comments.

B. Agenda Items for Future California Board of Accountancy Meetings.

Ms. Wright requested that cost recovery from enforcement actions be placed on a future agenda.

Adjournment

President Berhow adjourned the meeting at 11:58 a.m. on Friday, July 21, 2017.

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Alicia Berhow, President

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Mark J. Silverman, Esq., Secretary/  
Treasurer

Rebecca Reed, Board Relations Analyst, and Patti Bowers, Executive Officer, CBA, prepared the CBA meeting minutes. If you have any questions, please call (916) 561-1718.